

Citizens' Guide to the Budget

Citizens' Guide to
the Allocation Process
7

Budget Process Timeline
8

City Funds
9

Basis of Budgeting
10

Citizens' Guide to the Allocation Process

Based upon budget priorities provided by the City Council, departments submit operating budget and Capital Improvements Program requests to the City Manager for review by Budget and Management Services. The City Manager reviews Citywide service level requirements, evaluates budget proposals developed by City departments, and determines the resources available to meet desired service levels. It is the City Manager's responsibility to submit to the City Council a balanced budget in compliance with the City Charter.

Public input on service and program priorities is solicited through numerous community budget forums in many of San Diego's communities. This input serves as part of the City Council's priority setting for the City Manager's development of the budget.

The development of a balanced budget is achieved through a detailed review and prioritization of proposed expenses and a careful forecast of revenues. As a result of this process, a budget is developed which represents the City Manager's proposal to the City Council. This proposed balanced budget is presented to the City Council by their first meeting in May.

City Council review of the Proposed Budget is usually conducted in May and June. The first step of the budget review process is to provide citizens with an opportunity to give public comment and to voice their concerns and desires regarding services and the budget. After public comment is provided, the City Council then focuses on a review of the budget policy issues in a workshop setting.

A schedule of hearings is available from the City Clerk's Office in May. Citizens are encouraged to write or call the Mayor or their Councilmember, or to address the City Council in person at these hearings. The Proposed Budget document is available for review in City public libraries.

The City Council holds two final public hearings in July before approving the final budget. At the concluding hearing, the City Council approves an annual appropriation ordinance adopting the budget. The Final Budget document is then prepared.

Amendments to the Budget

Budget and Management Services works closely with the City Auditor and Comptroller to monitor fund balances throughout the fiscal year. Fluctuations in revenues and expenditures may be mitigated in a number of ways, including expenditure reductions or deferrals.

In addition, during the fiscal year, circumstances may arise that result in the need to adjust spending priorities. The procedure for amending the budget depends upon the type of amendment that is required. If the amendment does not affect the total appropriation for a department, then the department director has the authority to make that transfer except within certain accounts for which the department is required to obtain approval from Financial Management – Budget and Management Services, the City Manager, or the City Council. The Annual Appropriation Ordinance also includes direction on the transfer of allocations during the fiscal year and the authority for such transfers.

Budget Process Timeline

The following schedule outlines the major dates and steps involved in preparing and processing the annual budget. The budget calendar overlaps fiscal years. The steps listed below cover one complete budget cycle.

September

Budget and Management Services begins collecting information for preliminary budget development.

October through March

Based upon the City Council budget priorities, departments submit operating budgets and Capital Improvements Program requests to the City Manager for review by Budget and Management Services. The City Manager evaluates and prioritizes the program requirements, determines funding availability, and develops a balanced budget.

October through December

Special Promotional Programs and Community Development Block Grant applications are made available to interested organizations.

December

Organizations submit completed applications for Special Promotional Program funds and Community Development Block Grant funds.

January through March

The City Council conducts community budget forums to obtain citizen input on services and develops priorities for the City Manager's budget development.

January

The City Manager presents the initial budget status report to the City Council and requests budget priorities and policy direction for the upcoming fiscal year.

March

The City Manager recommends a program of projects to be funded by Community Development Block Grant funds. A public hearing is held to review the program. Recommendations for funding are presented to the City Council for consideration.

Early May

The City Manager submits the Proposed Budget to the City Council and files a copy with the City Clerk.

Late May through June

The City Council conducts budget meetings to review the proposed budget. Public comment is received at this time, with the balance of the meetings conducted as Council workshops focusing on policy issues.

July

The City Council adopts the Annual Budget and Appropriation Ordinance no earlier than the first Council meeting in July and no later than the last meeting in July. The adoption of the Appropriation Ordinance requires two noticed public hearings which are usually held on consecutive days.

Mid-August

The City Council adopts the Annual Tax Rate Ordinance no later than the last Council meeting in August.

October

The Final Budget is printed and distributed.

City Funds

The City's budget is financed by the use of different "funds". A fund can be thought of as a separate bank account for specific purposes. The **General Fund** is the City's main operating fund used to pay for basic City services such as public safety (police, fire, and lifeguard services), street maintenance, refuse collection, parks and recreation, and libraries. These activities utilize most tax dollars, such as Property Tax and Sales Tax, but are also supported by fees from licenses and permits, fines, and investment earnings.

Other funds are as follows:

ENTERPRISE FUNDS: These funds account for specific services which are funded directly by fees and charges to users. Enterprise Funds include the Water and Sewer Funds, Development Services, and some services provided by Environmental Services (Refuse Disposal, portions of litter control, and recycling services). The intent is that these funds are to be completely self-supporting and are not subsidized by any general revenue or taxes.

CAPITAL IMPROVEMENT FUNDS: A capital improvement is generally a large construction project such as the development of park land, the construction of an overpass, the installation of a traffic signal, or the construction or remodeling of a City facility. Monies to support these funds are derived from water and sewer fees, a 1/2 cent local sales tax for transportation improvements, developer impact fees, grant funds, and/or, for very large projects, the issuance of bonds.

INTERNAL SERVICE FUNDS: A fund created to finance and account for a particular department's or division's services to other City departments. The fund's expenses are repaid from fees or fund transfers, thus keeping the original fund capital intact (e.g. Central Stores, Print Shop, and Equipment Division are internal service funds).

SPECIAL REVENUE FUNDS: These funds account for revenues received that have specific purposes for which they can be used. The City has a number of Special Revenue Funds, among them, the Gas Tax Fund,

Environmental Growth Fund, Public Art Fund, Storm Drain Fund, and Trolley Extension Reserve Fund.

DEBT SERVICE FUNDS: These funds are used for the payment of principal and interest on an obligation resulting from the issuance of bonds (e.g. Bond Interest and Redemption Fund). These funds are used to finance the cost of capital improvements.

TAX FUND: This fund contains monies that are borrowed from the sale of Tax Anticipation Notes (TANS) on a short-term basis to meet the cash requirements of the City prior to the receipt of property taxes. Related costs are budgeted in this fund and are offset by interest earnings realized.

TRANSIENT OCCUPANCY TAX FUND: This fund was established to provide support to programs that promote the City and advance the City's economic health by increasing tourism and attracting industry. Monies to support this fund are from Transient Occupancy Tax, a tax assessed on hotel and motel room rates in the City of San Diego. The current tax is 10.5% of room rentals.

ZOOLOGICAL EXHIBITS FUND: This fund was established to expend monies for maintenance of zoological exhibits in Balboa Park and is financed from a fixed property tax levy authorized by the City Charter.

BUSINESS IMPROVEMENT DISTRICT FUNDS: Business improvement districts are established by City Ordinance. Special assessments are levied upon business owners within a district with specifically defined boundaries. These assessments finance improvements within the district such as providing additional parking spaces for visitors to the district, making shopping areas more aesthetically pleasing, and scheduling recreational activities which promote the district.

LANDSCAPE MAINTENANCE DISTRICT FUNDS: Property owners within a specified district are assessed for the purpose of financing maintenance of open space areas, street medians, rights-of-way, and in some cases, mini-parks and street lights.

Basis of Budgeting

The City's budgetary policies conform to Generally Accepted Accounting Principles (GAAP) applicable to governmental units. The City's Governmental Funds, and Expendable Trust and Agency Funds use the modified accrual basis. Under the modified accrual basis, revenues are recorded when both available and measurable. Certain fines and forfeitures, however, are recorded when received as they are not susceptible to accrual. Expenditures are recognized when the related liability is incurred, except for (1) principal of and interest on general long-term debt which are recognized when due; and (2) employee annual leave and claims and judgments for litigation and self-insurance which are recorded in the period due and payable. Proprietary Fund, Pension

Trust, and Nonexpendable Trust Funds use the accrual basis. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

The City prepares financial statements annually in conformity with GAAP for governmental entities which are audited by an independent certified public accounting firm. The annual financial report is generally available about six months after the June 30 close of each fiscal year. The City's most recent general purpose financial statements for the fiscal year ended June 30, 1996, were audited by the accounting firm, Calderon, Jaham & Osborn.